

EXHIBIT 1

INTRODUCTION

Respondent Lloyd Levine was a successful candidate for the California State Assembly in the March 2002 primary election, and the November 2002 general election. Respondent Lloyd Levine for Assembly (“the Committee”) is the controlled committee of Respondent Lloyd Levine.

The Political Reform Act (the “Act”)¹ limits the amount of contributions that may be accepted by candidates for elective state office. The Act also requires candidates to disclose required information regarding contributions or loans of \$100 or more on campaign statements filed periodically.

In this matter, Respondents accepted a contribution in excess of the applicable contribution limit by accepting an \$88,000 loan from Larry Levine and Jennifer Levine, the parents of Respondent Lloyd Levine, and failed to disclose the true source of the outstanding loan on three campaign statements.

For the purposes of this stipulation, Respondents’ violations of the Act are stated as follows:

- COUNT 1: On or about December 26, 2001, Respondents Lloyd Levine and Lloyd Levine for Assembly accepted a contribution in excess of the \$3,000 contribution limit by accepting an \$88,000 loan from Larry Levine and Jennifer Levine, in violation of section 85301, subdivision (a).
- COUNT 2: Respondents Lloyd Levine and Lloyd Levine for Assembly failed to disclose the true source of a loan in the amount of \$88,000 on a 24-hour electronic campaign statement, filed on or about December 27, 2001, in violation of section 85309, subdivision (a).
- COUNT 3: Respondents Lloyd Levine and Lloyd Levine for Assembly failed to disclose the true source of a loan in the amount of \$88,000 on a second odd-year campaign statement for the reporting period October 1, 2001 through December 31, 2001, filed on or about January 10, 2002, in violation of section 84211, subdivision (g).
- COUNT 4: Respondents Lloyd Levine and Lloyd Levine for Assembly failed to disclose the true source of an outstanding loan in the amount of \$88,000 on a first pre-election campaign statement for the reporting period January 1, 2002 through January 19, 2002, filed on or about January 25, 2002, in violation of section 84211, subdivision (g).

¹ The Political Reform Act is contained in Government Code sections 81000 through 91014. All statutory references are to the Government Code, unless otherwise indicated. The regulations of the Fair Political Practices Commission are contained in sections 18109 through 18997 of title 2 of the California Code of Regulations. All regulatory references are to title 2, division 6 of the California Code of Regulations, unless otherwise indicated.

SUMMARY OF THE LAW

Duty to Abide by Contribution Limits

The Act imposes limits on the acceptance of contributions by candidates for elective state office. Section 82015, subdivision (a) defines a “contribution” as any payment, including a loan, made for political purposes for which full and adequate consideration is not made to the donor. Regulation 18215, subdivision (a) provides that a payment is made for political purposes if it is made for the purpose of influencing or attempting to influence the action of the voters for or against the nomination or election of a candidate, or if it is received by a candidate. Regulation 18215, subdivision (c)(14) provides that a payment received by a candidate for personal purposes is not a contribution. Section 82007 defines a “candidate” to include an individual who receives a contribution or makes an expenditure with a view of bringing about his or her election to any elective office. Section 82024 defines “elective state office” to include the office of a member of the Legislature.

Under section 85301, subdivision (a), a candidate for elective state office other than a candidate for statewide elective office may not accept from any person, other than a small contributor committee or political party committee, any contribution totaling more than \$3,000. Section 83124 requires the Commission to biennially adjust the contribution limit in section 85301 to reflect changes in the Consumer Price Index. Under regulation 18531, subdivision (a), a candidate for elective state office is deemed not to have accepted a contribution in excess of the \$3,000 contribution limit if the contribution is returned, prior to deposit or negotiation, within 14 days of receipt.

Section 85307, subdivision (b) prohibits a candidate for elective state office from making a personal loan to his or her campaign in an amount, the outstanding balance of which exceeds \$100,000.

Duty to File Periodic Campaign Statements

An express purpose of the Act, as set forth in section 81002, subdivision (a), is to ensure that receipts and expenditures in election campaigns are fully and truthfully disclosed, so that voters may be fully informed, and improper practices may be inhibited. The Act therefore establishes a campaign reporting system designed to accomplish this purpose of disclosure.

Section 82013, subdivision (a) defines a “committee” to include any person who receives contributions totaling \$1,000 or more in a calendar year. This type of committee is commonly referred to as a “recipient committee.” Under section 82016, a recipient committee controlled by a candidate is a “controlled committee.”

Section 84200, subdivision (a) requires candidates and their controlled committees to file semi-annual campaign statements each year no later than July 31 for the period ending June 30, and no later than January 31 for the period ending December 31. In addition, section 84200.5, subdivision (e) requires candidates and their controlled committees to file two pre-election campaign statements before an election in which the candidate appears on the ballot. For elections held on a date other than in June or November of an even-numbered year, section 84200.8 requires that the first pre-election statement for the reporting period ending 45 days before the election be filed no later than 40 days before the election, and that the second pre-

election statement for the reporting period ending 17 days before the election be filed no later than 12 days before the election.

In the case of any candidate who has filed a statement of intention to be a candidate in a statewide direct primary election held in March of an even-numbered year, section 84200.3 requires the candidate and his or her controlled committee to file two odd-year campaign statements. Under section 84200.4, subdivision (a), the first statement must cover the period ending September 30 of the year prior to the election, and must be filed no later than October 10. Under section 84200.4, subdivision (b), the second statement must cover the period ending December 31 of the year prior to the election, and must be filed no later than January 10 of the year of the election.

Duty to File Electronic Campaign Statements

Section 85309, subdivision (a), requires candidates for elective state office who receive contributions or loans totaling \$50,000 or more to file an electronic report disclosing the receipt of any contribution of \$1,000 or more that is received during an election cycle. The electronic report must be filed within 24 hours of receiving the contribution. Section 85204 defines “election cycle,” for the purposes of section 85309, as the period commencing 90 days before an election and ending on the date of the election.

Duty to Disclose Information Regarding Loans

On each campaign statement filed by a candidate or committee, section 84211, subdivision (g) requires the reporting of the following information about any lender to the candidate or committee if the cumulative amount of loans received from the lender is \$100 or more, and the loans are outstanding during the reporting period covered by the campaign statement: (1) the lender’s full name; (2) the lender’s street address; (3) the lender’s occupation; (4) the name of the lender’s employer, or if self-employed, the name of the lender’s business; (5) the original date and amount of the loan; (6) the due date and interest rate of the loan; (7) the cumulative payment made at the end of the reporting period; (8) the balance outstanding at the end of the reporting period; and (9) the cumulative amount of contributions received from the lender. Section 82018 defines “cumulative amount” to include the amount of contributions received made in the calendar year.

SUMMARY OF THE FACTS

Respondent Lloyd Levine was a successful candidate for the 40th District of the California State Assembly in the March 5, 2002 primary election and the November 5, 2002 general election, and is currently serving in the California State Assembly. Respondent Committee is the controlled committee of Respondent Lloyd Levine.

COUNT 1

Accepting a Contribution in Excess of the Contribution Limit

As Respondent Lloyd Levine was a candidate for elective state office, Respondents Lloyd Levine and Committee were prohibited from accepting a contribution, in the form of a

loan, in excess of the \$3,000 contribution limit from any person other than the candidate, a commercial lending institution, or a small contributor or political party committee.

On February 7, 2001, Respondent Lloyd Levine filed a statement of intention to be a candidate for a seat in the California State Assembly in the March 5, 2002 primary election. On September 28, 2001, Respondent Lloyd Levine made a personal loan to Respondent Committee in the amount of \$12,000, thereby reducing the total amount that he could subsequently loan to his campaign from \$100,000 to \$88,000. Three months later, on December 26, 2001, Respondent Lloyd Levine received a loan from his parents, Larry Levine and Jennifer Levine, in the amount of \$88,000, by signing a loan document with them, and receiving a wire transfer of \$88,000 to his personal bank account. That same day, Respondent Lloyd Levine wrote an \$88,000 check to Respondent Committee from his personal bank account, and supplied a letter to the treasurer of Respondent Committee informing her that he was the source of the \$88,000 loan.

As Respondent Lloyd Levine was a candidate for elective state office at the time that he received the loan from his parents, and as the loan was in the exact amount that the candidate could permissibly loan to his committee, and was made under circumstances indicating that the loan would be used to fund Respondent's campaign, rather than for personal purposes, the loan qualified as a contribution and was prohibited by the \$3,000 contribution limit. By accepting a loan from Larry Levine and Jennifer Levine in excess of the \$3,000 contribution limit, Respondents violated section 85301, subdivision (a).

On or about January 19, 2002, a local newspaper reported that Larry Levine and Jennifer Levine had made a loan in the amount of \$88,000 to their son, Respondent Lloyd Levine. In response to the newspaper's inquiry, Respondent Lloyd Levine freely acknowledged that the loan was from his parents. Thereafter, Respondent Lloyd Levine contacted the Fair Political Practices Commission and was advised that the loan violated the \$3,000 contribution limit. In response to this advice, Respondent Lloyd Levine for Assembly refunded the \$88,000 to Respondent Lloyd Levine's personal bank account, and Respondent Lloyd Levine repaid the \$88,000 loan to his parents on February 1, 2002. Consequently, no part of the \$88,000 loan proceeds were actually used by Respondent Lloyd Levine to fund his campaign, and the funds were only in the committee's possession for 37 days.

COUNTS 2-4

Failing to Disclose the True Source of a Loan

As a candidate and as a controlled committee, Respondents Lloyd Levine and Committee had a duty to disclose required information regarding any loan of \$100 or more received by Respondent Committee. On or about December 26, 2001, Respondents received what should have been characterized as an \$88,000 loan from Larry Levine and Jennifer Levine. As the loan totaled \$100 or more, Respondents were required to report the receipt of that loan and that Larry Levine and Jennifer Levine were the source of the loan on any campaign statement covering a reporting period in which the loan was outstanding. However, on three campaign statements, Respondents instead disclosed Respondent Lloyd Levine, and not Larry Levine and Jennifer Levine, as the source of the \$88,000 loan. The following table sets forth by count each reporting period during which the \$88,000 loan was outstanding, the name of the campaign statement on

which the true source of the loan was not disclosed, and the date on which the campaign statement was filed.

Count	Reporting Period	Campaign Statement	Date Filed
2	Dec. 26, 2001	24-hour Statement (Electronic)	12/27/02
3	Oct. 1 through Dec. 31, 2001	2 nd Odd-year Campaign Statement	01/10/02
4	Jan. 1 through Jan. 19, 2001	1 st Pre-election Campaign Statement	01/25/02

With regard to Count 2, by failing to disclose that Larry Levine and Jennifer Levine were the true source of a loan of \$100 or more on a 24-hour electronic campaign statement, Respondents violated section 85309, subdivision (a).

With regard to Counts 3 and 4, by failing to disclose that Larry Levine and Jennifer Levine were the true source of a loan of \$100 or more on two required campaign statements, Respondents committed two violations of section 84211, subdivision (g).

CONCLUSION

This matter consists of four counts, which carry a maximum possible administrative penalty of \$5,000 per violation, for a total of Twenty Thousand Dollars (\$20,000). Regarding Count 1, the conduct of accepting a contribution in excess of the applicable contribution limit is a serious violation of the Act as it harms the integrity of the election process. In this case, however, since the loan funds were returned to Respondent Lloyd Levine's parents soon after he was informed that the Commission considered the funds a violation of the Act's contribution limits, the funds were never expended by the committee. Accordingly, a less than maximum administrative penalty is appropriate.

Regarding Counts 2 through 4, the failure of Respondents to disclose Larry Levine and Jennifer Levine as the true source of the \$88,000 loan on three campaign statements operated to conceal that Respondents were in violation of the \$3,000 contribution limit. However, in this instance, due to the March 2002 primary, the three campaign reports were required to be filed during a relatively short time period and none of the loan proceeds were ever expended by Respondent Lloyd Levine's campaign. Moreover, Larry Levine and Jennifer Levine were disclosed to be the source of the \$88,000 loan funds in a newspaper article on January 19, 2002. A typical administrative penalty for improperly reporting the true source of loan has historically ranged between \$2,000 and 3,000. Based on the factors in this case, a penalty in this range is appropriate for Counts 2 through 4.

Accordingly, the facts of this case justify imposition of a total administrative penalty of Twelve Thousand Dollars (\$12,000).